



Omaha Community  
Foundation

**Let good grow.**



2008 ANNUAL REPORT

Once again, we are amazed by the generosity of our donors. Omaha has a rich history of giving, and our donors went above and beyond to uphold that tradition in 2008. Economic prosperity was down compared to previous years, but nationally, giving by community foundations increased by 6.7 percent. Giving at the Omaha Community Foundation increased 56 percent from 2007. Our donors continued to support the community – and they did it in an exceptional way.

More people are in need and nonprofits are stretching their resources farther than ever. In response, the Omaha Community Foundation granted \$88.6 million to over 1,300 nonprofit organizations on behalf of our donors. That's our best year ever!

In addition, our donors continued to fund their giving accounts. We received \$100.5 million in new gifts – our second best year ever. Our total assets at the end of 2008 were \$405 million. This level of giving during uncertain times is why our community is so strong. The community steps up when the need arises.

We are also pleased to report that our family of donors grew by 121 new accounts in 2008. We now have almost 800 fund holders working with us. Professional advisors and donors are our best ambassadors. Thank you for spreading the word about the Omaha Community Foundation.

In addition to these results, you can find our complete financial results in our 2008 Annual Report. We have also compiled a Giving Report that includes a summary of charitable giving through the Omaha Community Foundation in 2008. Both reports are located on our web site, [www.omahafoundation.org](http://www.omahafoundation.org), or you can request to have a copy mailed to you. The foundation is working to introduce “greener” practices in our office, so we will no longer be printing and mailing annual reports. If you would like a copy of these reports, please contact Pamela Pierce at (402) 342-3458 or [pam@omahafoundation.org](mailto:pam@omahafoundation.org).

Thank you for an extraordinarily successful 2008! We look forward to finding new ways to help you achieve more with your giving in 2009.



Michael Leighton  
President and CEO



Michael R. McCarthy  
Chairman

**BOARD OF DIRECTORS**

Michael R. McCarthy . . . . . Chairman  
John A. Scott . . . . . Vice Chairman  
J. Terrence Haney . . . . . Secretary  
John Maginn . . . . . Treasurer  
Thomas Pansing, Jr . . . . . Legal Counsel  
Jerry M. Bartee  
Carol Gendler  
Deryl F. Hamann  
John W. Hancock  
Paul C. Jessen  
Eric L. Keen  
Richard W. Kelley  
Susan Lebens  
John P. Nelson  
Michael J. Piechoski  
Constance M. Ryan  
Todd D. Simon  
Maria Vazquez  
M. Jane Weekly

**FOUNDATION STAFF**

Michael Leighton . . . . . President and CEO  
Sara Boyd . . . . . Vice President  
Kali Baker . . . . . Director of Communications  
Betty Carrico . . . . . Philanthropic Services Assistant  
Diane Darrington . . . . . Donor Accounts Assistant  
Sarah Gilbert . . . . . Associate Director of Philanthropic Services  
Teresa Gleason . . . . . Program Manager, Omaha by Design  
Kathy Johnson . . . . . Finance Assistant  
Patrick McNamara . . . . . Director of Philanthropic Services  
Hillary Nather-Detisch . . . . . Director of Donor Accounts  
Dennis Nissen . . . . . Iowa Program Officer  
Pamela Pierce . . . . . Development and Marketing Assistant  
Kris Penney . . . . . Assistant Grants Administrator  
Connie Spellman . . . . . Director, Omaha by Design  
Robin Spitznagle . . . . . Office Manager  
Melisa Sunde . . . . . Chief Financial Officer

## **INDEPENDENT AUDITORS' REPORT**

BOARD OF DIRECTORS  
OMAHA COMMUNITY FOUNDATION:

We have audited the accompanying combined statements of financial position of the Omaha Community Foundation and its supporting foundations (the Foundation) as of December 31, 2008 and 2007, and the related combined statements of activities and cash flows for the years then ended. These combined financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these combined financial statements based on our audits. We did not audit the financial statements of All Our Kids, Inc., a supporting foundation, which statements constitute 2% of combined assets in 2008 and 2007, and constitute 21% and 4% of combined revenues and gains in 2008 and 2007, respectively. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for All Our Kids, Inc., is based solely on the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits and the report of the other auditors, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of the Omaha Community Foundation and its supporting foundations as of December 31, 2008 and 2007, and the changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

**KPMG LLP**

Omaha, Nebraska  
December 1, 2009

## OMAHA COMMUNITY FOUNDATION COMBINED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2008 AND 2007

ASSETS	2008	2007
Cash and cash equivalents . . . . .	\$55,376,229	50,289,498
Accrued interest receivable . . . . .	2,280,661	2,177,378
Pledges receivable . . . . .	1,306,822	324,007
Other receivables . . . . .	2,593,927	1,719,387
Other assets . . . . .	117,343	170,863
Notes receivable . . . . .	21,000,000	—
Investments . . . . .	318,215,434	407,207,405
Investment in real estate . . . . .	3,561,871	6,786,334
Fixed assets:		
Furniture and fixtures . . . . .	695,013	580,590
Construction in progress . . . . .	—	2,332,731
	695,013	2,913,321
Less accumulated depreciation . . . . .	(560,338)	(466,079)
Fixed assets, net . . . . .	134,675	2,447,242
Total assets . . . . .	<u>\$404,586,962</u>	<u>471,122,114</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Grants payable . . . . .	\$28,696,189	23,805,347
Accounts payable . . . . .	2,200,339	3,677,474
Annuities payable . . . . .	2,184,658	2,890,616
Beneficiaries payable . . . . .	3,202,725	5,072,566
Funds held for others . . . . .	<u>23,492,384</u>	<u>23,379,527</u>
Total liabilities . . . . .	<u>59,776,295</u>	<u>58,825,530</u>
Net assets:		
Unrestricted . . . . .	302,727,320	364,856,362
Temporarily restricted . . . . .	28,772,231	34,662,882
Permanently restricted . . . . .	13,311,116	12,777,340
Total net assets . . . . .	<u>344,810,667</u>	<u>412,296,584</u>
Total liabilities and net assets . . . . .	<u>\$404,586,962</u>	<u>471,122,114</u>

See accompanying notes to combined financial statements.

## OMAHA COMMUNITY FOUNDATION COMBINED STATEMENTS OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2008

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Revenues and gains:				
Contributions	\$72,051,419	5,057,820	533,776	77,643,015
Interest and dividends	14,013,115	1,429,978	—	15,443,093
Other income	2,540,313	(213,892)	—	2,326,421
Rental income	8,558,531	—	—	8,558,531
Net unrealized and realized gains (losses) on investments	(86,952,773)	(8,597,449)	—	(95,550,222)
Net assets released from restrictions	<u>3,567,108</u>	<u>(3,567,108)</u>	<u>—</u>	<u>—</u>
Total revenues and gains	<u>13,777,713</u>	<u>(5,890,651)</u>	<u>533,776</u>	<u>8,420,838</u>
Grants, expenses, and losses:				
Grants	66,068,785	—	—	66,068,785
Depreciation	94,259	—	—	94,259
Administrative expenses	5,189,663	—	—	5,189,663
Life insurance expenses	2,344,817	—	—	2,344,817
Annuity interest expense	(321,629)	—	—	(321,629)
Other expenses	2,530,860	—	—	2,530,860
Total grants, expenses, and losses	<u>75,906,755</u>	<u>—</u>	<u>—</u>	<u>75,906,755</u>
(Decrease) Increase in net assets	(62,129,042)	(5,890,651)	533,776	(67,485,917)
Net assets at beginning of year	<u>364,856,362</u>	<u>34,662,882</u>	<u>12,777,340</u>	<u>412,296,584</u>
Net assets at end of year	<u>\$302,727,320</u>	<u>28,772,231</u>	<u>13,311,116</u>	<u>344,810,667</u>

YEAR ENDED DECEMBER 31, 2007

Revenues and gains:				
Contributions	\$33,396,503	3,184,979	5,271,000	41,852,482
Interest and dividends	14,987,159	1,380,677	—	16,367,836
Other income	3,678,239	(124,947)	—	3,553,292
Rental income	7,351,298	—	—	7,351,298
Net unrealized and realized gains (losses) on investments	(5,258,110)	1,184,031	—	(4,074,079)
Net assets released from restrictions	<u>5,728,968</u>	<u>(3,638,150)</u>	<u>(2,090,818)</u>	<u>—</u>
Total revenues and gains	<u>59,884,057</u>	<u>1,986,590</u>	<u>3,180,182</u>	<u>65,050,829</u>
Grants, expenses, and losses:				
Grants	41,605,241	—	—	41,605,241
Depreciation	105,210	—	—	105,210
Administrative expenses	4,393,399	—	—	4,393,399
Annuity interest expense	256,317	—	—	256,317
Other expenses	1,776,768	—	—	1,776,768
Total grants, expenses, and losses	<u>48,136,935</u>	<u>—</u>	<u>—</u>	<u>48,136,935</u>
(Decrease) increase in net assets, before reclassification	11,747,122	1,986,590	3,180,182	16,913,894
Net asset reclassification based on change in law and interpretation of donor intent	—	(5,885,776)	5,885,776	—
Increase in net assets	11,747,122	(3,899,186)	9,065,958	16,913,894
Net assets at beginning of year	<u>353,109,240</u>	<u>38,562,068</u>	<u>3,711,382</u>	<u>395,382,690</u>
Net assets at end of year	<u>\$364,856,362</u>	<u>34,662,882</u>	<u>12,777,340</u>	<u>412,296,584</u>

See accompanying notes to combined financial statements.

**OMAHA COMMUNITY FOUNDATION COMBINED STATEMENTS OF CASH FLOWS**  
**YEARS ENDED DECEMBER 31, 2008 AND 2007**

	2008	2007
Cash flows from operating activities:		
Increase in net assets . . . . .	\$(67,485,917)	16,913,894
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation . . . . .	94,259	105,210
Net unrealized and realized losses (gains) on investments . . . . .	95,550,222	4,074,079
Contributions and other income restricted for long-term investment . . . . .	(5,591,596)	(8,455,979)
Stock contribution . . . . .	(41,022,658)	—
Property received as gift . . . . .	—	(4,660,000)
Changes in assets/liabilities:		
Accrued interest receivable . . . . .	(103,283)	(372,205)
Pledges receivable . . . . .	(982,815)	716,093
Other receivables . . . . .	(874,540)	(435,007)
Other assets . . . . .	53,520	(92,471)
Grants payable . . . . .	4,890,842	(12,116,255)
Accounts payable . . . . .	(1,410,295)	1,917,226
Annuities payable . . . . .	(772,798)	187,509
Beneficiaries payable . . . . .	(1,869,841)	1,274,798
Funds held for others . . . . .	112,857	2,630,917
Net cash provided by operating activities . . . . .	<u>(27,949,766)</u>	<u>20,265,049</u>
Cash flows from investing activities:		
Proceeds from the sale of property . . . . .	3,225,000	2,755,579
Net sales (purchases) of investments . . . . .	34,463,870	(29,948,181)
Capital expenditures . . . . .	<u>(10,243,969)</u>	<u>(2,803,362)</u>
Net cash provided by (used in) investing activities . . . . .	<u>27,444,901</u>	<u>(29,995,964)</u>
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment . . . . .	<u>5,591,596</u>	<u>8,455,979</u>
Net increase (decrease) in cash and cash equivalents . . . . .	5,086,731	(1,274,936)
Cash and cash equivalents at beginning of year . . . . .	50,289,498	51,564,434
Cash and cash equivalents at end of year . . . . .	<u>\$55,376,229</u>	<u>50,289,498</u>
Supplemental disclosure of noncash investing and financing activities:		
Stock contribution . . . . .	41,022,658	—
Property received as gift . . . . .	—	4,660,000
Note receivable contributed . . . . .	21,000,000	—
Property donated . . . . .	\$12,462,277	18,577,240

See accompanying notes to combined financial statements.

# OMAHA COMMUNITY FOUNDATION NOTES TO COMBINED FINANCIAL STATEMENTS

DECEMBER 31, 2008 AND 2007

## (1) ORGANIZATION

The Omaha Community Foundation (the Foundation) was incorporated on March 22, 1982 under the laws of the state of Nebraska as a nonprofit corporation. The mission of the Foundation is to enhance the quality of life of the citizens of the greater Omaha community by identifying and addressing current and anticipated community needs and raising, managing, and distributing funds for charitable purposes in the areas of civic, cultural, health, education, and social services. Revenues and gains are primarily derived from donations and investment income.

The combined financial statements include the accounts of the Omaha Community Foundation and its affiliated supporting foundations. The supporting foundations are tax-exempt organizations whose sole purpose is to further the mission of the Foundation. All significant intercompany transactions have been eliminated. The supporting foundations and the dates established are as follows:

SUPPORTING FOUNDATION	DATE ESTABLISHED
Suzanne and Walter Scott Foundation . . . . .	August 27, 1990
All Our Kids, Inc. . . . .	December 28, 1992
Mammel Family Foundation . . . . .	December 31, 1994
Dixon Family Foundation . . . . .	December 31, 1995
The David Scott Foundation . . . . .	December 31, 1995
Amy L. Scott Family Foundation . . . . .	December 31, 1995
Parker Family Foundation . . . . .	December 31, 1995
Southwest Iowa Foundation . . . . .	June 18, 1996
Amis Foundation . . . . .	July 25, 1996
The McGowan Family Foundation . . . . .	August 22, 1996
The Enrichment Foundation . . . . .	October 25, 1996
H. H. "Red" & Ruth Nelson Foundation. . . . .	December 16, 1997
William & Ruth Scott Family Foundation. . . . .	November 17, 1998
The Faith Charitable Trust. . . . .	December 22, 1999
Maginn Family Foundation . . . . .	December 15, 2000
Charles E. Lakin Charitable Foundation . . . . .	December 21, 2001
Carmen and John Gottschalk Foundation . . . . .	June 24, 2004
William and Barbara Fitzgerald Family Foundation . . . . .	October 20, 2005
Robin Hill Charitable Foundation . . . . .	July 12, 2007

During 2008, the Charles E. Lakin Charitable Foundation was dissolved.

The accompanying combined financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

## (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (A) CASH AND CASH EQUIVALENTS

Cash and cash equivalents include certain investments in highly liquid instruments with original maturity of three months or less when purchased, excluding those amounts held as part of the investment portfolio.

### (B) USE OF ESTIMATES

The preparation of combined financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. The current economic environment has increased the degree of uncertainty inherent in these estimates and assumptions.

### (C) FIXED ASSETS

Fixed assets are stated at cost. Depreciation is computed by using the straight-line method over an estimated useful life of five years.

Gifts of long-lived assets such as land, buildings, or equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed into service.

#### **(D) INVESTMENTS**

Investments, including equity and debt securities, are reported at fair value. Investments in securities traded on a national securities exchange are valued at the latest quoted market prices. Investments in closely held stock and real estate are estimated based on independent appraisals and information provided by the respective companies. In conjunction with the adoption of Financial Accounting Standards Board (FASB) Statement No. 157, *Fair Value Measurements*, the Foundation elected to early adopt the measurement provisions of Accounting Standards Update No. 2009-12, “*Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)*” to certain investments in funds that do not have readily determinable fair values including private investments, hedge funds, real estate, and other funds. This guidance amends Statement No. 157 and allows for the estimation of the fair value of investments in investment companies for which the investment does not have a readily determinable fair value using net asset value per share or its equivalent. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to Statement No. 157.

Realized gains and losses on sales of investments are recognized in the combined statements of activities as specific investments are sold. Interest income is recognized as earned. Dividend income is recognized on the ex-dividend date. All realized and unrealized gains and losses and income arising from investments are recognized in the combined statements of activities as increases or decreases to unrestricted net assets unless their use is restricted by donor stipulation or law.

#### **(E) FUNDS HELD FOR OTHERS**

Funds held for others represent funds held in a fiduciary capacity. Contributors are able to deposit funds and subsequently direct discretionary disbursements to charitable organizations as they wish. The Foundation receives a percentage of the interest income from these contributions. The transactions of these funds are not reflected in the combined statements of activities as the Foundation is acting as an agent for these funds.

#### **(F) BASIS OF ACCOUNTING**

The accompanying combined financial statements have been prepared in accordance with Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*. Resources are reported for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying combined financial statements, net assets that have similar characteristics have been combined into similar categories.

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets, and the changes therein, are classified as follows:

- Unrestricted net assets account for resources that have not been designated for other purposes.
- Temporarily restricted net assets consist of contributions that are donor-designated or grantor-designated for specific projects/purposes of the Foundation. Distributions are made from this portion of net assets for those specified purposes.
- Permanently restricted net assets represent the principal amount of gifts accepted with the donors’ stipulation that the principal be maintained in perpetuity. Net assets are expended according to donor/fund agreements that allow either only the income to be expended or the board of directors to set a spending policy (currently 5%). The assumption is that, at a 5% spending rate over the years, with gains/losses and interest included, the fund will remain in perpetuity.

#### **(G) DONOR-RESTRICTED GIFTS**

Donor-restricted gifts, including gifts to Donor Advised Funds and other types of funds of the Foundation, are classified as permanently or temporarily restricted funds. Permanently restricted funds are reported at the fair value on the date the donor makes an unconditional promise to give, or actually gives, cash or other assets to the Foundation. Temporarily restricted funds are reported at their values on the last day of the accounting period.

Endowment funds may be reported as permanently or temporarily restricted funds, depending on the nature of the donor-imposed restriction. The standards for classification of the endowment funds of the Foundation, and for spending from those funds is set forth in note 9.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the combined statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying combined financial statements.

**(H) INCOME TAXES**

The Foundation and supporting foundations have been recognized by the Internal Revenue Service as not-for-profit organizations as described in Section 501(c)(3) of the Internal Revenue Code, and accordingly, are exempt from federal income tax under Section 501(a) of the Internal Revenue Code.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an Interpretation of Statement of Financial Accounting Standards (SFAS) No. 109. In accordance with FASB Staff Position No. FIN 48-3, Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises, the Foundation will delay application of FIN 48 until January 1, 2009. The Foundation does not believe FIN 48 will have a material impact on its financial statements.

**(I) CONTRIBUTED SERVICES**

Contributions of services are recognized if the services received (1) create or enhance nonfinancial assets or (2) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. In 2008 and 2007, there were no contributed services recognized.

**(J) FAIR VALUE OF FINANCIAL INSTRUMENTS**

On January 1, 2008, the Foundation adopted the provisions Financial Accounting Standards Board (FASB) Statement No. 157, Fair Value Measurements, for fair value measurements of financial assets and financial liabilities and for fair value measurements of nonfinancial items that are recognized or disclosed at fair value in the financial statements on a recurring basis. FASB Statement No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. FASB Statement No. 157 also establishes a framework for measuring fair value and expands disclosures about fair value measurements (note 4). The adoption of SFAS 157 had no impact on the Foundation's financial position or net assets. FASB Staff Position (FSP) FAS 157-2, Effective Date of FASB Statement No. 157 (FSP FAS 157-2), delays the effective date of FASB Statement No. 157 until fiscal years beginning after November 15, 2008 for all nonfinancial assets and nonfinancial liabilities that are recognized or disclosed at fair value in the financial statements on a nonrecurring basis. In accordance with FSP FAS 157-2, the Foundation will delay application of FASB Statement No. 157 to nonfinancial assets and liabilities until January 1 2009.

In October 2008, the FASB issued FSP FAS No. 157-3, Determining the Fair Value of a Financial Asset When the Market for That Asset Is Not Active (FSP FAS No. 157-3), which clarifies the application of FASB Statement No. 157 in a market that is not active and provides an example to illustrate key considerations in determining the fair value of a financial asset when the market for that financial asset is not active. This FSP was effective upon issuance.

The Foundation's valuation methodologies may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. While management believes the Foundation's valuation methodologies are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**(K) RECLASSIFICATIONS**

Certain 2007 amounts have been reclassified to conform to the current year presentation.

**(3) INVESTMENTS**

The cost and fair value of investments at December 31, 2008 and 2007 are as follows:

	2008		2007	
	COST	FAIR VALUE	COST	FAIR VALUE
U.S. Treasury securities . . . . .	\$5,894,314	6,318,967	9,672,452	9,854,576
U.S. agency securities . . . . .	—	—	225,232	231,202
Corporate bonds . . . . .	118,442,487	102,961,391	95,796,698	96,603,224
Common stock . . . . .	106,134,876	90,585,202	95,979,486	124,685,482
Preferred stock . . . . .	1,790,145	681,540	899,825	850,490
Closely held stock . . . . .	7,666,091	5,978,421	18,914,741	19,667,489
Mutual funds . . . . .	83,648,020	66,454,928	76,451,038	82,501,789
Mortgage-backed securities . . . . .	21,081,915	21,511,990	40,537,749	40,941,146
Partnerships . . . . .	19,177,624	21,658,781	18,377,189	28,014,198
Other . . . . .	99,968	85,696	91,779	90,068
Foreign equities . . . . .	3,006,423	1,978,518	3,264,348	3,767,741
Total . . . . .	<u>\$366,941,863</u>	<u>318,215,434</u>	<u>360,210,537</u>	<u>407,207,405</u>

The change in the unrealized gains and losses recognized in the years ended December 31, 2008 and 2007 was \$(95,723,297) and \$(10,159,568), respectively. The realized gains (losses) recognized in the years ended December 31, 2008 and 2007 was \$173,075 and \$6,085,489, respectively.

The estimated value of certain alternative investments and nonmarketable securities, such as partnerships, and closely held stock was provided by the respective companies and independent appraisals. For these alternative investments, the Foundation used the net asset value reported by the underlying fund to estimate the fair value of the investment. Net asset value, in many instances, may not equal fair value that would be calculated pursuant to Statement No. 157. Below is a summary of investments accounted for at net asset value:

	FAIR VALUE	UNFUNDED COMMITMENTS	REDEMPTION FREQUENCY	REDEMPTION NOTICE PERIOD
Equity funds (a)	\$7,192,785	—	monthly-quarterly	30-60 days
Multi-strategy funds (b)	14,013,115	—	monthly-quarterly	30-60 days
Private equity/venture capital funds (c)	2,540,313	—	—	—
Real estate funds (d)	8,558,531	—	—	—
	\$25,310,122	—	—	—

(A) This category includes investments in funds that invest in both U.S. and international common stocks. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. For one investment valued at \$6.3 million, redemptions were suspended as of December 29, 2008. On June 18, 2009 redemptions were resumed subject to a gate provision.

(B) The category includes investments in funds that invest in a mix of equities and fixed income. The fair values of the investments in this category have been estimated using the net asset value per share of the investment.

(C) This category includes real estate funds that invest primarily in stable, high-quality multi-family real estate properties. The fair values of the investments in this category have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. These investments can never be redeemed with the fund. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 3 to 5 years.

(D) This category includes a venture capital/private equity funds that invest primarily in private companies at various stages of development and maturity. The fair values of the investment in this category have been estimated using the net asset value of the Foundation's ownership interest in partners' capital. Of these investments, an investment valued at \$4.8 million, can be redeemed annually in March, up to 100,000 units of ownership. The remaining investments in this category can never be redeemed with the fund. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of the fund will be liquidated over the next 4 to 6 years.

Due to the nature of the investments held by the funds, changes in market conditions and the economic environment may significantly impact the net asset value of the funds and, consequently, the fair value of the Foundation's interests in the funds. Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported net asset value. It is therefore reasonably possible that if the Foundation were to sell these investments in the secondary market a buyer may require a discount to the reported net asset value, and the discount could be significant.

#### (4) FAIR VALUE MEASUREMENTS

##### A. Fair Value of Financial Instruments

The carrying value of all financial instruments approximates estimated fair value. Cash and cash equivalents, accrued interest receivable, pledges receivable, and accounts payable approximate fair value due to their short-term nature. Investments and investment in real estate are stated at fair value. Funds held for others is based on the fair value of investments held. The carrying value of notes receivable, beneficiaries payable, annuities payable, and grants payable approximate fair value since the interest rates closely reflect current market rates.

##### B. Fair Value Hierarchy

On January 1, 2008, the Foundation adopted FASB Statement No. 157, which defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The statement requires certain additional disclosures, as set forth below. The provisions of FASB Statement No. 157 apply to other accounting pronouncements that require or permit fair value measurements. FASB Statement No. 157:

- Defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date; and
- Establishes a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. To increase consistency and comparability in fair value measurements and related disclosures, the fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The three levels of the hierarchy are defined as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for asset or liability.

The financial statements as of and for the year ended December 31, 2008 do not include any nonrecurring fair value measurements related to assets or liabilities for which the Foundation has adopted the provisions of FASB Statement No. 157. All nonrecurring fair value measurements for 2008 involved nonfinancial assets and the Foundation will not adopt the provisions of FASB Statement No. 157 for nonrecurring fair value measurements, involving nonfinancial assets, and nonfinancial liabilities until January 1, 2009 as discussed in note 2(j).

*Assets measured at fair value at December 31, 2008 on a recurring basis are summarized below:*

	12/31/08	LEVEL 1	LEVEL 2	LEVEL 3
Cash and cash equivalents . . . . .	\$55,376,229	55,376,229	—	—
U.S. Treasury securities . . . . .	6,318,967	—	6,318,967	—
Corporate bonds . . . . .	102,961,391	—	102,961,391	—
Common stock . . . . .	90,585,202	84,705,202	5,880,000	—
Preferred stock . . . . .	681,540	681,540	—	—
Closely held stock . . . . .	5,978,421	—	4,845,360	1,133,061
Mutual funds . . . . .	66,454,928	65,544,025	910,903	—
Mortgage-backed securities . . . . .	21,511,990	—	21,511,990	—
Partnerships . . . . .	21,658,781	—	16,890,906	4,767,875
Other . . . . .	85,696	85,696	—	—
Foreign equities . . . . .	1,978,518	1,978,518	—	—
Investment in real estate . . . . .	<u>3,561,871</u>	—	<u>3,561,871</u>	—
Total . . . . .	<u>\$377,153,534</u>	<u>208,371,210</u>	<u>162,881,388</u>	<u>5,900,936</u>

(LEVEL 1) Quoted asset in active markets for identical assets  
 (LEVEL 2) Significant other observable inputs  
 (LEVEL 3) Significant unobservable inputs.

Certain investments classified in Levels 2 and 3 consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable. Because the net asset value reported by each fund as a practical expedient to estimate the fair value of the Foundation's interest therein, its classification in Level 2 or 3 is based on the Foundation's ability to redeem its interest at or near the date of the statement of financial position. If the interest can be redeemed in the near term, the investment is classified in Level 2. The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

The following table presents the Foundation's activity for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) as defined in FASB Statement No. 157 for the year ended December 31, 2008:

	PARTNERS	HELD STOCK	TOTAL
Beginning balance . . . . .	\$4,505,100	10,013,955	14,519,055
Unrealized losses. . . . .	(152,093)	(2,412)	(154,505)*
Purchases and sales, net . . . . .	414,868	<u>(8,878,482)</u>	(8,463,614)
Ending balance. . . . .	<u>\$4,767,875</u>	<u>1,133,061</u>	<u>5,900,936</u>

\* Included in net unrealized and realized gains (losses) on combined statement of activities.

**(5) PLEDGES RECEIVABLE**

Unconditional pledges receivable at December 31, 2008 and 2007 are expected to be received in the following periods:

	2008	2007
One year or less. . . . .	\$725,000	324,007
One to two years. . . . .	<u>650,000</u>	<u>—</u>
	1,375,000	324,007
Less discount to present value. . . . .	<u>68,178</u>	<u>—</u>
	<u>\$1,306,822</u>	<u>324,007</u>

**(6) ANNUITIES PAYABLE**

The Foundation receives funds to establish gift annuities. The annuity agreements provide that the Foundation will pay the annuitants a payment each year for the rest of his or her life. The recorded payable at December 31, 2008 and 2007 of \$2,184,658 and \$2,957,456, respectively, represents the estimated actuarial value of these future payments valued at rates ranging from 6% to 12%. The excess of the fair value of investments over this payable is included in net assets. At December 31, 2008 and 2007, the fair value of investments of these annuities totaled approximately \$3,218,669 and \$5,926,377, respectively.

The Foundation has been designated as the recipient of a \$500,000 donation under an award program payable in five annual installments after an individual's death. This donation has not been recorded as revenue since the donor may, at any time, amend, suspend, or terminate the program.

**(7) GRANTS PAYABLE**

Grants are considered liabilities of the Foundation when approved by the board of directors and when grant agreements are executed with grantees. Although grants will not be paid until certain conditions are met, they are considered unconditional promises to give because the probability that the conditions will not be met is remote. Future payments of approved grants and scholarships at December 31, 2008 and 2007 are expected to be paid as follows (discounted at rates ranging from 0.10% to 6.09%):

	2008	2007
In less than one year . . . . .	\$14,242,428	18,481,148
In one to five years . . . . .	14,675,892	5,604,500
Thereafter. . . . .	<u>—</u>	<u>125,000</u>
	28,918,320	24,210,648
Discount. . . . .	<u>(222,131)</u>	<u>(405,301)</u>
Total grants payable . . . . .	<u>\$28,696,189</u>	<u>23,805,347</u>

(8) NET ASSETS

Sources of net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of events were as follows:

	2008	2007
Arts, culture, and humanities . . . . .	\$219,375	25,738
Civic and municipalities . . . . .	88,380	441,191
Environment and animals . . . . .	52,131	69,663
Health . . . . .	201,766	64,314
Human services . . . . .	739,551	664,974
Education and scholarships . . . . .	1,111,544	1,480,424
Administrative expenses . . . . .	755,894	455,991
Time restrictions . . . . .	140,000	95,000
Religious purposes . . . . .	214,686	306,669
Youth . . . . .	43,781	34,186
Donor release of permanent restriction . . . . .	—	2,090,818
Total . . . . .	<u>\$3,567,108</u>	<u>5,728,968</u>

THE COMPOSITION OF UNRESTRICTED NET ASSETS IS AS FOLLOWS:

	2008	2007
Omaha Community Foundation . . . . .	\$26,236,213	36,227,373
Supporting foundations . . . . .	276,491,107	328,628,989
	<u>\$302,727,320</u>	<u>364,856,362</u>

RESTRICTED NET ASSETS ARE AVAILABLE FOR THE FOLLOWING PURPOSES AS OF DECEMBER 31, 2008:

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Arts . . . . .	\$ —	191,872
Donor-advised . . . . .	12,166,340	11,132,777
Human services . . . . .	643,776	7,916,995
Education/scholarships . . . . .	501,000	6,637,637
Youth . . . . .	—	1,660,601
Environmental/animals . . . . .	—	917,573
Religion . . . . .	—	232,276
Time restriction . . . . .	—	82,500
	<u>\$13,311,116</u>	<u>28,772,231</u>
	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Omaha Community Foundation . . . . .	\$13,311,116	22,428,821
. . . Supporting foundations . . . . .	—	6,343,410
	<u>\$13,311,116</u>	<u>28,772,231</u>

RESTRICTED NET ASSETS ARE AVAILABLE FOR THE FOLLOWING PURPOSES AS OF DECEMBER 31, 2007:

	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Arts . . . . .	\$ —	262,771
Donor-advised . . . . .	12,166,340	11,678,798
Human services . . . . .	110,00	12,674,649
Education/scholarships . . . . .	501,000	7,424,161
Youth . . . . .	—	948,769
Environmental/animals . . . . .	—	1,180,550
Religion . . . . .	—	455,054
Time restriction . . . . .	—	38,130
	<u>\$12,777,340</u>	<u>34,662,882</u>
	PERMANENTLY RESTRICTED	TEMPORARILY RESTRICTED
Omaha Community Foundation . . . . .	\$12,777,340	27,984,205
Supporting foundations . . . . .	—	6,678,677
	<u>\$12,777,340</u>	<u>34,662,882</u>

**(9) ENDOWMENT**

The Foundation holds approximately 140 individual donor-restricted endowment funds (Endowments) for support of its programs and operations. Generally accepted accounting principles require that the net assets and the changes therein associated with Endowments be classified and reported as permanently or temporarily restricted funds, based on the nature of donor-imposed restrictions.

The Nebraska Uniform Prudent Management of Institutional Funds Act (NUPMIFA) was enacted April 4, 2007. NUPMIFA imposes requirements on the management, investment and spending of donor restricted endowment funds. On January 1, 2008, the Foundation adopted FSP FASB Staff Position FAS 117-1 (FSP 117-1), Endowments of Not-for-profit Organizations. FSP 117-1 requires the amount classified as permanently restricted shall be the amount of the donor restricted endowment fund (a) that must be retained permanently in accordance with explicit donor stipulations, or (b) that in the absence of such stipulations, the organization’s governing board determines must be retained (preserved) permanently consistent with relevant law.

The Board of Directors of the Foundation has interpreted NUPMIFA as not requiring the preservation of any specific amount of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation only classifies as permanently restricted assets the amounts in the Endowments which are subject to permanent, specific, donor-imposed restrictions on appropriation (spending) of the fund.

The Foundation classifies the remaining amounts in the Endowments as temporarily restricted net assets until those amounts are appropriated for expenditure. In authorizing appropriations from the temporarily restricted Endowments, NUPMIFA requires the Foundation to focus on the purposes of the fund, giving priority to the donor’s intent that the fund be maintained permanently. In addition, and in accordance with NUPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) the duration and preservation of the endowment fund;
- (2) the purposes of the Foundation and the donor-restricted endowment fund;
- (3) general economic conditions;
- (4) the possible effect of inflation or deflation;
- (5) the expected total return from income and the appreciation of investments;
- (6) other resources of the Foundation; and
- (7) the investment policy of the Foundation.

ENDOWMENT NET ASSET COMPOSITION BY TYPE OF FUND:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
DECEMBER 31, 2008:				
Donor-restricted endowment funds:	\$(2,067,347)	22,428,821	13,311,116	33,672,590
DECEMBER 31, 2007:				
Donor-restricted endowment funds:	\$(6,607)	27,984,205	12,777,340	40,754,938

CHANGES IN ENDOWMENT NET ASSETS:

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
Year ended December 31, 2008				
Net assets, beginning of year	\$(6,607)	27,984,205	12,777,340	40,754,938
Other losses	—	(212,954)	—	(212,954)
Investment return:				
Investment income	—	1,239,433	—	1,239,433
Net depreciation (realized and unrealized)	(2,060,740)	(7,518,435)	—	(9,579,175)
Total investment Return	(2,060,740)	(6,279,002)	—	(8,339,742)
Appropriation of endowment assets for expenditure	—	(2,430,460)	—	(2,430,460)
Contributions	—	3,367,032	533,776	3,900,808
Donor release of permanent restriction	—	—	—	—
Endowment net assets, end of year	<u>(2,067,347)</u>	<u>22,428,821</u>	<u>13,311,116</u>	<u>33,672,590</u>
Year ended December 31, 2007				
Net assets, beginning of year	\$—	31,193,688	3,711,382	34,905,070
Net asset reclassification due to change in law and interpretation of donor intent	—	(5,885,776)	5,885,776	—
Endowment net assets after reclassification	—	25,307,912	9,597,158	34,905,070
Other losses	—	(125,129)	—	(125,129)
Investment Return:				
Investment income	—	1,147,975	—	1,147,975
Net appreciation (depreciation) (realized and unrealized)	(6,607)	1,436,726	—	1,430,119
Total investment Return	(6,607)	2,584,701	—	2,578,094
Appropriation of endowment assets for expenditure	—	(1,932,931)	—	(1,932,931)
Contributions	—	2,149,652	5,271,000	7,420,652
Donor release of permanent restriction	—	—	(2,090,818)	(2,090,818)
Endowment net assets, end of year	<u>(6,607)</u>	<u>27,984,205</u>	<u>12,777,340</u>	<u>40,754,938</u>

(A) *Return Objectives and Risk Parameters*

The Foundation has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment. Endowment assets include those assets of donor-restricted funds that the Foundation must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index while assuming a moderate level of investment risk. The Foundation expects its endowment funds to provide an average rate of return of approximately 5% annually.

(B) *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, the Foundation relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest & dividends). The Foundation targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

(C) *Spending Policy and How the Investment Objectives Relate to Spending Policy*

Absent any donor restrictions, Foundation appropriates for distribution each year 5% of its endowment fund's fair value through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing its annual budget the Foundation considers the operations of the Foundation as well as expected investment returns.

**(10) ADMINISTRATIVE EXPENSES**

The Foundation's administrative expenses for the years ended December 31, 2008 and 2007 are as follows:

	2008	2007
Omaha Community Foundation operating expenses . . . . .	\$2,930,519	1,831,844
Omaha By Design expenses . . . . .	400,817	270,773
	<u>3,331,336</u>	<u>125,000</u>
Supporting foundations	1,858,327	2,290,782
Total Expenses	<u>\$5,189,663</u>	<u>4,393,399</u>

**(11) COMMITMENTS**

During the years ended December 31, 2008 and 2007, \$12,462,477 and \$18,577,240 of property was constructed and donated by a supporting foundation to another public charity. A supporting foundation leases the property and then sub-leases the property under noncancelable operating leases which expire at various dates. Management expects the existing leases to be renewed under similar terms as they expire. Rental income was \$8,558,531 and \$7,351,298 in 2008 and 2007, respectively, and is included in rental income.

As of December 31, 2008, minimum rental commitments to be received under noncancelable operating leases are as follows:

YEAR ENDING DECEMBER 31:	
2009 . . . . .	\$3,442,046
2010 . . . . .	3,277,608
2011 . . . . .	2,749,388
2012 . . . . .	2,476,765
2013 . . . . .	2,179,618
Thereafter . . . . .	<u>8,652,161</u>
Total minimum lease payments . . . . .	<u>\$22,777,586</u>

**(12) NOTES RECEIVABLE**

In 2008, a supporting foundation received a donation of a \$21 million note receivable from a related party. The note pays quarterly interest payments at 5% and all of the unpaid principal and accrued and unpaid interest is due on December 31, 2018.